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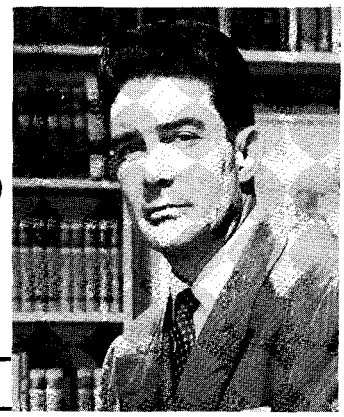

DAN SMOOT

REPEAL THE INCOME TAX

On January 18, 1962, President Kennedy sent his budget message to Congress, outlining expenditures and estimating revenues for the 1962-1963 fiscal year.

Tax collections estimated in the President's budget total 93 billion dollars, which will come from the following sources:

personal income taxes — 49 billion, 300 million;

corporation income taxes — 26 billion, 600 million;

federal excise, or sales taxes (for example, on tobacco, liquors, telephone bills, various luxury items, airplane tickets, and so on) — 10 billion;

federal gift and death taxes — 2 billion, 300 million;

customs payments on foreign goods imported — 1 billion, 300 million;

miscellaneous budgeted revenues (such as interest on loans, rentals of government property, federal fees of various kinds and so on) — 3 billion, 500 million dollars.[1]

In addition to the 93 billion dollars of tax collections shown in the budget, the federal government will collect, during the 1962-1963 fiscal year, another 23 billion 600 million dollars, for its "trust fund" operations. For example, the money taken out of every worker's paycheck, and the amount which his employer must add as a contribution, for Social Security is not reported as a tax collection in the federal budget. The federal sales tax on gasoline is not reported as tax collections in the budget, and neither is the money collected from employers for the unemployment compensation program.

The 23 billion, 600 million dollars which the federal government will collect in taxes (above the 93 billion listed in the budget) will come from the following sources:

individuals and employers who pay Social Security payroll taxes — 13 billion, 800 million dollars;

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unemployment taxes paid by employers — 3 billion, 600 million;

retirement taxes paid by railroad workers and their employers — 600 million;

insurance premiums paid by veterans on their government life insurance policies — 500 million dollars;

federal sales taxes on gasoline — 3 billion, 400 million dollars;

miscellaneous "trust fund" receipts — 1 billion, 700 million.[2]

Thus the total tax collections of the federal government for the 1962-1963 fiscal year will be 116 billion, 600 million dollars.

Kennedy's budget estimate for the 1961-1962 fiscal year was 84 billion, 259 million dollars.[3] "Trust fund" tax collections by the federal government for the fiscal year ending June 30, 1962, are estimated at 20 billion dollars—making a total estimated federal tax collection for the current fiscal year of 104 billion, 259 million dollars.

Hence, the tax collections by the federal government during the first two full fiscal years of the Kennedy Administration will total 220 billion, 859 million dollars.

The tax collections of the federal government for the 143-year span from its first year (1789) through 1932 (that is, to the beginning of Franklin D. Roosevelt's New Deal) *totaled* 87 billion, 769 million dollars.

The tax collections of the federal government during the eight years of Roosevelt's New Deal spending (that is, 1933 through 1940) *totaled* 33 billion, 618 million dollars.

The tax collections of the federal government for five years of World War II (that is, 1941 through 1945) *totaled* 129 billion, 755 million dollars.

The tax collections of the federal government in the 156-year span from 1789 to 1945 *totaled* 251 billion, 142 million dollars.[4]

In the first two peace-time fiscal years of President Kennedy, the federal government will take in taxes from its citizens 30 and a quarter billion dollars less than the total which the government took from its citizens in the first 156 years of our national life — a span which included the cost of our War for Independence, the War of 1812, the Mexican War, the Civil War, the Spanish-American War, World War I, the Great Depression following World War I, and World War II.

Nonetheless, Kennedy spends more than he collects. The federal deficit for the fiscal year ending June 30, 1962, is estimated at 7 billion dollars.[5]

In his budget message of January 18, 1962, President Kennedy promised to stay within his budget for 1962-1963—promising, indeed, a 'modest' surplus of 500 million dollars. But the programs which the President has already sent to Congress would require more than the 116 billion, 600 million dollars which he will collect in taxes during the 1962-1963 year.

How much is the 220 billion, 859 million dollars that the Kennedy Administration will confiscate from the citizens of America in two years? It is approximately $5000 for every family in the United States. It would pay for more than 11 million 20-thousand-dollar homes. It would represent an average refund of about $4000 for every individual who pays a federal income tax this year. It is more than the total, assessed value of all property in our major cities. It is an incomprehensible sum; and it gives only a slight indication of the staggering costs of government in the United States.

In his economic report to Congress, submitted on January 20, 1962, President Kennedy said:

In considering tax revision in the United States, we must not limit ourselves simply to Federal taxation. Our states, counties, and municipalities collect nearly half as much tax revenue as the Federal Government.[6]

The President gave no figures. Since the tax collections of the federal government in

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the 1962-1963 fiscal year will be 116 billion, 600 million dollars, "nearly half" that much should be about 58 billion dollars.

Thus, the total cost of government in the United States during the coming fiscal year will be 174 billion, 600 million dollars — which is an average of about $4000 for every family.

The President talks a great deal about the high cost of living in the United States, and repeatedly urges industry and labor to hold the line against higher prices—as if industry and labor were really responsible. The tax bill which the average American family pays is greater than all other living costs combined. The total of *everything* that the average American family spends—on housing, clothing, food, recreation, churches, schools, charities, transportation, and foolishness—is less than its tax bill. No other nation in the world —or in the history of civilization—has ever had such costly government as we have.

Our National Debt

Despite the fantastic amount of taxes we pay to support government, we are not paying our way. Our government is going in the hole, building up debt which will ride endless future generations. I do not mean, simply, the 7-billion-dollar deficit in the federal budget in the current year, or the 300-billion-dollar national debt. The official deficit, and the official national debt—although great enough to cause the deepest concern—represent only a fraction of the real debt which our political spenders in Washington are piling on us and on generations yet unborn.

Maurice H. Stans, who was Director of the Budget for several years during the Eisenhower Administration, says:

"As director of the budget, I undertook in 1960 to add up all the liabilities of our government. Here are some of them. We owe $30,000,000,000 in unfunded pensions to retired civilian employes of the government. We owe almost $40,000,000,000 in accrued pensions to retired military servicemen. The total of our present commitments to veterans for future pensions and compensation (not counting many other benefits) is in excess of $300,000,000,000. . . .

"Then there are many other present contractual or legislated government undertakings that will have to be financed in the future. Taking all of them—housing subsidy contracts, shipping subsidies, the interstate highway system, unfinished public works projects, unpaid purchases of military supplies and many others — this group adds up to more than $150,000,000,000 in further bills to be met in the coming years.

"Altogether, counting the interest-bearing debt of $300,000,000,000 and the other obligations and commitments I have mentioned, we have placed a mortgage of over $800,000,000,000 on our national future to be met in taxes. This does not include untold billions of dollars in guarantees by the government on housing loans and other mortgages, bank deposits and other savings and so on.

"Even this is not the full story. Under our Social Security system, we have scheduled a series of benefits that far exceed, in actuarial terms, the resources that would be available at present tax rates. This deficiency, which can only be made up out of future tax increases already provided in the law, is another $250,000,000,000 or $300,000,000,000.

"This makes the total present undertakings of the government, to be paid from future taxes, in excess of $1,000,000,000,000. And that is beyond the regular annual costs of defense, welfare and other government activities.

"This is a national debt of more than $22,000 for every family of four in the country. Quite a spending spree we've been on for the last 30 years, isn't it?"[7]

The debt of our federal government at the close of the 1932 fiscal year was 19 billion, 487 million dollars. The federal debt thirty years later, as estimated by Mr. Stans, is 1000 billion dollars (one trillion).

The taxes which the federal government has collected from citizens, and listed as "budget receipts" since 1932 (to June 30, 1962) total 1 trillion, 265 billion, 380 million dollars.[8]

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I cannot find precise statistics on the "non-budgeted" federal taxes during all of those thirty years; but (on the basis of figures available) I estimate, conservatively, that the government has taken at least 155 billion dollars in taxes, over and above the amounts shown in the budget, in the thirty-year period ending June 30, 1962.

Here then, is the thirty-year spending spree which Mr. Stans mentioned: our federal government collected and spent 1 trillion, 420 billion dollars in taxes; and in addition to that, piled up a debt of one trillion dollars.

For every $1.42 that our federal government collects from us and spends, it spends (or obligates itself to spend in the future) another $1.00 which it does not have, but borrows from future generations, by increasing the national debt.

Who Pays the Federal Tax?

Where do these vast sums of money come from? Let's consider only the budgeted tax collections of the federal government for one year. President Kennedy estimates budgeted collections of 93 billion during the 1962-1963 fiscal year.

Eighty percent of that 93 billion dollars will be produced by the federal income tax.

Many Americans now know that the progressive income tax system (the kind we have) was designed by communists as a means of destroying private capitalism. Karl Marx, in the *Communist Manifesto* published in 1848, listed the steeply graduated, or progressive, income tax system as one of the ten principal weapons of communism.

The progressive income tax system was not sold to Americans as a communist scheme. It is likely that most of the leading politicians who supported the Sixteenth (or income tax) amendment, adopted in 1913, were not aware that this amendment to our Constitution would institute a communist system of taxation. They no doubt thought the progressive income tax would be good for America. They talked loftily (and, perhaps, honestly) about "equalizing the tax load" and "putting the most tax on those best able to pay."

In short, to put it bluntly, Americans were sold on the progressive income tax scheme, because it appealed to their greed. This was a way to soak-the-rich. Soaking the rich instinctively appeals to everyone who is not rich; and those who are not rich vastly outnumber those who are. It's easy for them to carry the day at the polls.

But the people were deceived. Who actually gets *soaked* by the federal income tax? People in the middle and low income brackets!

Of the 93 billion dollars collected in federal income taxes next year, 49.3 billion will be collected from individuals; 26.6 billion, from corporations.

Here is a detailed account of who (that is, what income groups) will actually pay the 49.3 billion dollars collected from individuals as federal income tax in 1962-63:[9]

10.3% of the total individual federal income taxes paid during the fiscal year ending June 30, 1963, will be taken out of the checks of persons earning between $10,000 and $15,000;

10% will come from persons earning between $5,000 and $6,000;

9.2% of the total will be paid by people with income between $6,000 and $7,000;

9.1% of the total, by people with income between $25,000 and $50,000;

7.6% from incomes between $7,000 and $8,000;

6.5% from incomes between $50,000 and $100,000;

6.0% from incomes between $8,000 and $9,000;

5.1% from incomes between $4,500 and $5,000;

4.6% from incomes between $4,000 and $4,500;

4.6% from incomes between $15,000 and $20,000;

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4.4% from incomes between $9,000 and $10,000;

4.0% from incomes between $3,500 and $4,000;

3.2% from incomes between $20,000 and $25,000;

3.1% from incomes between $3,000 and $3,500;

2.4% from incomes between $2,500 and $3,000;

2.2% from incomes between $100,000 and $150,000;

1.7% from incomes between $2,000 and $2,500;

1.7% from incomes between $200,000 and $500,000;

1.1% from incomes between $1,500 and $2,000;

.9% from incomes between $150,000 and $200,000;

.9% from incomes of 1 million dollars or more;

.7% from incomes between $1,000 and $1,500;

.6% from incomes of $500,000 to a million;

.1% from incomes between $600 and $1,000.

The total federal personal income tax from people making between $2,000 and $2,500 a year will be the same as the total federal personal income tax paid by people making between $200,000 and $500,000.

People with incomes between $5,000 and $6,000 a year pay 16 times more tax than all millionaires whose income runs from $500,000 to $1,000,000 a year. These same millionaires pay only one-tenth as much as persons whose income is between $8,000 and $9,000 a year.

People with income between $6,000 and $7,000 a year pay more than ten times as much federal personal income tax as persons who make a million dollars or more per year.

Sixty percent of all federal personal income taxes come from the paychecks of persons making less than $10,000. Thirty-three percent comes from persons making less than $6,000.

Several things about the federal income tax system should be obvious.

It does soak the rich, and everyone else—particularly those who have a hard time making ends meet. Americans making less than $5,000 a year (which is modest income for any head-of-family in contemporary America) are taxed billions a year to subsidize communist and socialist rulers abroad, to provide foreign-aid contracts for big industries, to subsidize air lines, to pay lush subsidies to big farming syndicates, to pay the salaries of millions of well-paid government employees whose activities are so vast and expensive that no one on earth knows how to effect economies or savings.

Fact and Reason

It should be obvious that the only thing we can do to keep this tax-and-spend monster from consuming us is to eliminate it. It is beyond all possibility of reform. Direct federal income tax was unconstitutional during the first 124 years of our national life. There are few, who know, who will deny that we had better government in that period than we have ever had since.

We could have good, responsible government again, if we would repeal the income tax amendment and compel the federal government to discontinue all unconstitutional activities.

What would happen to our economy if we repealed the income tax and stopped the government spending which is such a stimulus to business? If the federal government stopped spending 80 billion dollars a year, that 80 billion would not be destroyed, or sterilized, or removed from the streams of commerce. It would be left in the hands of individuals and corporations who earned it. Thus tens of millions of people would be spending 80 billion dollars of their own money to stimulate the economy—and it would be far

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better spent, and do infinitely more wholesome stimulating and building than now, when it is controlled by bureaucrats and politicians who spend a great deal of it on foreign aid which helps our communist enemies and hurts America; who spend it to subsidize foreign industries which are capturing world markets and hurting American industries; who spend it for defense of foreign lands while neglecting vital defense efforts for our homeland.

How could we ever pay the national debt, if we repealed the income tax? *With* an unlimited income tax, our government has been *accumulating* a national debt at the rate of more than 33 billion dollars a year for thirty years. A constitutional amendment which would repeal the income tax amendment (the Sixteenth Amendment) and, at the same time, compel the federal government to get out of all business and industrial activities that are in competition with its own citizens (and that are not authorized by the Constitution) would force the government to stop the spending that is accumulating the national debt. Sale of the unconstitutional governmental facilities (such as the Tennessee Valley Authority installations) would produce a tremendous sum of money which could be applied to the national debt.

Savings from the annual losses of present unconstitutional governmental activities would make handsome payments on the national debt.

In the fiscal year ending June 30, 1963, the federal government's budgeted collections from sources other than personal incomes (that is, corporation income taxes, excise taxes, customs payments, and so on) will total 43 billion, 700 million dollars. This is more than the total budgeted tax collections during the biggest peacetime taxing year that Harry Truman had—1948, when the federal government collected so much (41 billion, 375 million) that it had the biggest surplus in the history of the nation (8 billion, 419 million dollars).

Thus, if the federal government did not collect one penny in personal income tax in the next fiscal year, it would still have more revenue from other sources than the total of what Harry Truman's administration collected in its biggest peacetime year.

What was enough for Harry Truman should be enough for anyone. These facts prove to any sensible person that the federal government could get by without a tax on *personal* incomes. Would it not be wise, then, to advocate repeal of the federal tax on personal incomes while leaving the income tax on corporations?

This would be extremely unwise. The plundering political spenders in Washington would then have a perfect argument for appealing to the short-sighted and greedy; they could point out that all income taxes are imposed on corporations; therefore, individuals would be deceived into supporting high-taxing programs, believing that only the corporations would have to pay.

We would then have a more vicious system of hidden taxes than we now have: all federal income taxes would be buried in the prices of commodities.

How could the federal government defend the nation without income tax revenue to pay the enormous costs?

President Kennedy's budget for 1962-1963 designates 52 billion, 690 million dollars for "National Defense" — 56.9% of the total budget.

In March, 1950, General Omar Bradley, then Chairman of the Joint Chiefs of Staff, in testimony before a Senate Committee, said:

"Thirteen billion dollars a year is sufficient to provide for the security of the United States. If I recommended as much as thirty billion a year for the Armed Forces, I ought to be dismissed as Chief of Staff."(10)

For thirteen billion dollars a year, the federal government could not continue to maintain its present effort to defend the world, with a mail-order-catalogue type of defense

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which tries to hold in readiness mammoth land armies and all other kinds of forces to fight any kind of war at any time in any place, as the enemy may order.

America's traditional kind of national defense (the kind that maintains just enough power to deter an enemy from striking; and to hold him at bay, if he does strike, for long enough to permit all-out mobilization) should not cost a penny more than 13 billion dollars a year.

Such a defensive system for the *United States* would give our homeland more protection than we now get from a system that costs over 52 billion dollars a year.

Eliminate the following sums from the President's proposed budget—and we would have better government, better defense, and a far sounder and more prosperous economy than now:

$39 billion now designated as part of our "national defense";

2 billion, 510 million dollars budgeted for economic and financial assistance to foreign governments;

222 million dollars for "foreign information and exchange";

4 billion, 585 million budgeted as "farm income support and production adjustment";

198 million for "financing farm ownership and operation";

234 million for "financing rural electrification, etc.";

866 million for subsidies to aviation;

662 million for subsidies to water transportation;

44 million for highway building (this item is in addition to the mammoth federal highway program which is not listed in the budget);

493 million for subsidies to business;

122 million for Area Redevelopment;

82 million for "regulation of business";

63 million for "aids to private housing";

193 million for "public housing";

482 million for "urban renewal and community facilities";

5 billion, 105 million for all the activities of the Department of Health, Education, and Welfare;

1 billion, 470 million federal aid to education.

Just *these items* total 56 billion, 331 million dollars. And that would leave all that the President requests for Space Research and Technology, for Agricultural Land and Water Resources, for Research and Other Services in the Department of Agriculture; for all of the additional "Natural Resources" activities of the federal government (totaling 2 billion, 298 million dollars); the veterans program; postal service; interest payments on the national debt; all expenses of the general government.

In other words, the 56 billion, 331 million dollars which I have suggested eliminating from the President's budget, would leave all of the vital services, and research and defense activities of government—plus many other functions which could, and should be abolished.

What To Do

Excise and customs taxes (the kind that kept the federal government going from 1789 to 1913, except for a brief interval during the Civil War) would produce all the legitimate revenue our federal government needs to perform its constitutional functions.

In his Economic Report to Congress, January 20, 1962, President Kennedy himself gave one of the best arguments to prove that the income tax amendment should be repealed. The President, asking Congress for unconstitutional power to *reduce* taxes by 5%, at the pleasure of the President, said:

"A temporary reduction of individual income tax rates across the board can be a powerful safeguard against recession. . . . The proposed partial tax suspension would launch a prompt counterattack on the cumulative forces of recession. It would be reflected immediately in lower withholding deductions and higher take-home pay for millions of Americans. Markets for consumer goods and services would promptly feel the stimulative influence of the tax suspension.

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"It would offer strong support to the economy. . . ."

If getting just 5% of the federal tax load off the backs of the people will do that much good for our economy, what do you suppose would happen if we abolished the whole inequitable, confiscatory, income tax system? The people of America would perform miracles of production and "national improvement" and "economic stimulation" with their own money.

On January 3, 1961, U. S. Representative James B. Utt (Republican, California) introduced House Joint Resolution 23, proposing a constitutional amendment to repeal the Sixteenth Amendment (the income tax amendment) and to compel the federal government to divest itself of all activities which place it in competition with its own citizens.

I do not believe that we can restore America as a free and independent republic until this Utt Amendment is adopted. For details on how you can support the movement for this amendment, and for more statistics to prove that we *can* repeal the income tax amendment and still finance our federal government adequately, write to Organization to Repeal Federal Income Taxes, Inc., 725 North Western Avenue, Los Angeles 29, California.

FOOTNOTES

(1) "Text of President Kennedy's Jan. 18 Budget Message," *Congressional Quarterly Weekly Report*, January 18, 1962, p. 74
(2) Information on the "trust fund" receipts was taken from p. 36 of *U. S. News & World Report*, January 29, 1962
(3) *Congressional Quarterly Almanac* for 1961
(4) All the statistics on spending from 1789 to 1945 came from p. 54 of *1962 Federal Budget In Brief*, prepared by the Bureau of the Budget, Executive Office of the President, and published by the United States Government Printing Office, in 1961
(5) "Kennedy Projects 'Modest' Surplus for Fiscal 1963," *Congressional Quarterly Weekly Report*, January 19, 1962, p. 60
(6) "Text of the President's Economic Report to Congress," *Congressional Quarterly Weekly Report*, January 26, 1962
(7) "Staggering US Debt Due Further Climb," column by Maurice H. Stans, former Budget Director, syndicated by the Times-Mirror Syndicate, Los Angeles, published February 19, 1962, in the *Fort Worth Star-Telegram*
(8) Same as footnote Number 4
(9) Based on "Preliminary Report on Individual Income Tax Returns for 1956," a press release of the Internal Revenue Service, dated August 28, 1958, giving a detailed analysis of income tax produced by wage groups
(10) *The People's Pottage*, by Garet Garrett, published by Caxton, Caldwell, Idaho ($3.00, if still available)

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He worked as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side — the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report.*

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